

JPRS 74058

22 August 1979

# USSR Report

ECONOMIC AFFAIRS

No. 887

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<b>REPORT DOCUMENTATION PAGE</b>		1. REPORT NO. JPRS 74058	2.	3. Recipient's Accession No.
4. Title and Subtitle USSR REPORT: ECONOMIC AFFAIRS, No. 887			5. Report Date 22 August 1979	
7. Author(s)			6.	
9. Performing Organization Name and Address Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201			8. Performing Organization Rept. No.	
17. Sponsoring Organization Name and Address  As above			10. Project/Task/Work Unit No.	
			11. Contract(C) or Grant(G) No. (C) (G)	
			13. Type of Report & Period Covered	
15. Supplementary Notes			14.	
16. Abstract (Limit 200 words)  This serial report contains information on recent administrative plans, changes, and policy trends, items on the state of the national economy, significant and representative comments and statistics on principal industrial sectors.				
17. Document Analysis a. Descriptors  USSR Economics				
b. Identifiers/Open Ended Terms				
c. COSATI Field/Group 5C				
18. Availability Statement Unlimited Availability Sold by NTIS Springfield, Virginia 22161		19. Security Class (This Report) UNCLASSIFIED		21. No. of Pages 46
		20. Security Class (This Page) UNCLASSIFIED		22. Price

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CONTENTS	PAGE
State Budget Role in Development of Siberia, Far East (A. A. Brobrovnikov; FINANSY SSSR, Jul 79) .....	1
Scientists Aid Siberian Development (A. Filatov; IZVESTIYA, 16 May 79) .....	11
Academician Discusses Overall Siberian Development (A. A. Trofimuk; EKONOMICHESKAYA GAZETA, Jul 79) .....	15
Uzbek Party Secretary Urges Closer Ties Between Science, Industry (I. G. Anisimkin; EKONOMICHESKAYA GAZETA, Jul 79) .....	20
Charge for Capital as Economic Stimulus (Ye. G. Pavlova; FINANSY SSSR; Jul 79) .....	26
Enforcement of Long-Term Supply Contracts (A. Lebed'; KHOZYAYSTVO I PRAVO, Apr 79) .....	35
Economic Growth Rate in Leningrad Lags (LENINGRADSKAYA PRAVDA, 14 Jul 79) .....	44

## STATE BUDGET ROLE IN DEVELOPMENT OF SIBERIA, FAR EAST

Moscow FINANSY SSSR in Russian No 7, Jul 79 pp 8-14

/Article by RSFSR Minister of Finance A. A. Bobrovnikov: "The State Budget and the Overall Development of Siberia and the Far East"/

/Text/ The problems of the overall development of Siberia and the Far East have constantly been at the center of attention of the Communist Party and the Soviet Government. They were raised with particular urgency by CC CPSU General Secretary and Chairman of the Presidium of the USSR Supreme Soviet Comrade L. I. Brezhnev during his trip through these regions.

During the era of developed socialism the solution of the questions of the further economic development of the USSR, which covers a vast territory, to which no state of the world has an equal, is raising many-sided and complicated problems of the territorial organization of the national economy. In this connection the 25th CPSU Congress devoted much attention to working out scientifically sound territorial economic proportions and comprehensive regional programs, having indicated that the further planned development of the national economy of the country is directly dependent on the formation of national economic and territorial production complexes, which is based on the data of economic research.

The 10th Five-Year Plan is the five-year plan of efficiency and quality. The special importance of increasing production efficiency is connected with the solution of the problem of labor resources, the rise in the demand of the country for fuel and power resources and raw materials and the increase of the expenditures on environmental protection. To a considerable extent these problems find their solution when regarded in light of the regional development of the economy. In a report at the 25th CPSU Congress A. N. Kosygin noted: "The rational distribution of the productive forces on the enormous territory of the country is a great and crucial task, and its solution will promote the more efficient management of our entire economy."<sup>1</sup>

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1. "Materialy XXV s"yezda KPSS" /Materials of the 25th CPSU Congress/, p 153.

Before describing the overall development of Siberia and the Far East, let us note that prior to the Great October Socialist Revolution these regions were known only as a remote part of tsarist Russia, as a place of hard labor and exile. In 1913 the total gross production of Siberian industry was only 1.5 percent of the industrial production of Russia, agriculture was unproductive, the gross harvest of grain did not exceed 4-5 million tons, which is considerably less than Altayskiy Kray alone now yields. The economy of the indigenous nationalities--the Yakuts, the Buryats and others--was particularly primitive.

Back in 1918 V. I. Lenin proposed to elaborate a comprehensive plan for linking the iron ore of the Urals with the coal of the Kuznetsk Basin and indicated the importance of studying the water power resources of Siberia: "The working of these natural resources by the latest technological means will provide a basis for the unprecedented progress of productive forces."<sup>2</sup> Lenin's ideas for developing the eastern regions were embodied in subsequent decrees of the party and the government. Thus, at the 16th party congress it was decided to develop a new powerful coal and metallurgical base--the Urals-Kuzbass Combine. In a short time new sectors of industry and industrial centers emerged in Siberia and the Far East, which made it possible to greatly accelerate the rate of development of the economy of the area. This circumstance played an important role during the years of war against fascism. Metal and arms, which helped to rout the enemy, were produced here, grain and industrial products came from here.

The solution of the Angara-Yenisey problem, and then the development of the petroleum and gas deposits on the territory of the Western Siberian plain were a brilliant page in the chronicle of the development of Siberia during the years of Soviet power. Major measures on the development of rail, motor and air transport were implemented. The rail lines of the Turkestan-Siberian, Central Siberian and Southern Siberian Main Rail Lines, and later the Tyumen'-Surgut, Ivdel'-Ob', Tavda-Sotnik and Khrebtovaya - Ust'-Ilimsk rail lines were built. The Baykal-Amur Railroad is being built through the impassable taiga of Eastern Siberia and the Far East. It is the way to the yet untouched riches of Siberia and the Far East.

Siberia is already today playing an important role in the national economy of the country, being one of the largest suppliers of coking coal, nonferrous and rare metals, lumber materials, furs, some types of rolled products, the products of machine building, the chemical industry, agriculture and the food industry. At the same time with each year the contribution of Siberia to the national economy is increasing. Whereas the total volume of RSFSR industrial production in 1976 as compared with 1913 has increased 137-fold, in the eastern regions it had increased approximately 500-fold.

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2. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 36, p 188.



However, while taking up nearly 75 percent of the territory of the RSFSR, Siberia and the Far East lag considerably in the size of the population. Whereas for the RSFSR as a whole there are 8 inhabitants per km<sup>2</sup>, in the eastern regions there are 2.2, and the bulk of the population is concentrated in the settled regions of Western Siberia (5.3 people per km<sup>2</sup>).<sup>3</sup> About one-fifth of the industrial and agricultural enterprises are located on the territory of the region and at the same time only 26 percent of the railroads and highways pass across it.

The steps being taken to develop these regions are yielding positive results. During 1970-1977 the population of the eastern regions of the RSFSR increased by 2.4 million, or 9.5 percent, and the proportion of the urban population in 1977 reached 70.7 percent as against 63.8 percent in 1970. The construction of the Baykal-Amur Main Rail Line, which has the goal of developing the regions which are most important for the availability of power and raw materials resources, is being successfully continued.

The following data attest to the enormous potentials of Siberia: about 50 percent of the total fuel and power resources of the country fall to it. About half of the all-union reserves of coking coal and more than half of the reserves of peat are concentrated here. The water power resources are of exceptionally great importance for the national economy. Whereas for the country as a whole the potential resources of medium-sized and major rivers are estimated at 3.34 trillion kWh, more than 30 percent of them are concentrated in Siberia, which is explained by the high flow rate of the Siberian rivers, to which 40 percent of the river drainage of the USSR falls. The timber resources are large, the reserves of lumber here are 36.4 billion m<sup>3</sup>, or nearly 48 percent of the all-union reserves.

The reserves of nonferrous metal ores occupy one of the leading places in the country, especially the copper, nickel, molybdenum, lead, aluminum and other raw materials, as well as the reserves of nonmetallic, refractory and chemical raw materials (mica, asbestos, magnesites and so on). The total area of agricultural lands in Siberia, excluding the reindeer pastures, exceeds 58 million hectares, which is 26.3 percent of those areas in the RSFSR.

The natural potential of Siberia and the Far East is promoting the emergence of the basis of local raw material and power resources of production complexes and the construction of cities. At the same time it should be borne in mind that the severity of the climate and the remoteness from the more economically developed central regions complicate the organization of construction and increase its cost significantly. The development of transportation communications: railroads and highways, main pipelines, electric

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3. M. S. Solomentsev, "Rossiyskaya federatsiya" [The Russian Federation], Moscow, Politizdat, 1978, p 121.

power transmission lines, is required in order to develop successfully the economic potential of Siberia.

The aspiration to save capital led to the construction of a number of industrial enterprises at a single point and was an important factor in the emergence of large and major Siberian cities. This in turn made it possible in the shortest possible time to build enormous production complexes with the least capital investments. For example, 62 percent of the population of the region is concentrated in Western Siberia, which takes up about 37 percent of the territory of all of Siberia. Here more than 61 percent of the gross production of industry and 69 percent of the gross production of agriculture of the Siberian Zone are produced here.

The enormous tracts of land and the water resources are conducive to the fact that the removal of land for construction in the southern part of Western Siberia costs the national economy one-fifth as much as in the southern part of the European territory. In spite of this, the cost of developing this region is colossal, since it is necessary to obtain from the Central Region not only machines, machinery and equipment, but also labor resources.

During the fulfillment of the set of tasks, which was advanced by the 25th CPSU Congress, the complication of construction processes required the implementation of a single centralized state policy, which was aimed at the concentration of efforts on the main sections. The direction of this development was reflected in the new USSR Constitution. As applied to the question being covered, this means that the development of the eastern regions is a matter of the entire country, since the implementation of such a far-reaching national economic program as the stepped-up development of Siberia and the Far East is the general direction of the overall development of the Soviet economy, which governs the more intensive convergence of the nations and nationalities of the country. Today all the union republics are stepping up their efforts on the development of Siberia and the Far East. We see the living embodiment of this policy in the activity of the national construction detachments in the building of the Baykal-Amur Main Rail Line.

Thus, on the basis of the example of the solution of the problem in such an enormous region we see all the importance of the set of economic and social factors and phenomena, which governed the planned formation and development of the productive forces and social processes not only in this region, but also in the regional system of the entire country. Academician Rumyantsev wrote: "Regional economics, being based on the entire complement of economic knowledge about the productive forces of society, is aimed toward the future, determining the scientific basis of the rational territorial organization of the economy of the country and the development of the unified interconnected national economic complex of the USSR."<sup>4</sup>

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4. A. Rumyantsev, "An Important Direction in Economic Research," *KOMMUNIST*, No 1, 1976, p 52.



The solution of the problems of economic development will require the investment of enormous amounts of money and, consequently, the participation of the state budget, which is the main financial plan of the formation and use of the statewide fund of monetary assets of the Soviet state. Of course, this cannot be accomplished not only within the limits of the local budgets of Siberia and the Far East, but also the state budget alone of the RSFSR. On the territory of the republic about 125 billion rubles were received in 1978, of them about 23 billion rubles, that is, only 18.4 percent, were obtained on the territory of Siberia and the Far East.

The development of the economy and culture of Siberia and the Far East should be regarded in inseparable connection with the growth of the USSR State Budget. The overall level of the economic and cultural growth of this region is directly dependent on the capital allocated from the union budget, since the chief measures (the construction of the Baykal-Amur Main Rail Line, the largest hydroelectric power stations, industrial centers and communications lines in the world, land reclamation, science) are financed through the assets of the union budget. At the same time it is also necessary to keep in mind the ever increasing active role in the development of this region of the RSFSR State Budget and the budgets of the autonomous republics, krais and oblasts of the region. First of all industrial construction causes the development of existing cities and the emergence of new ones, which in itself is a significant economic and social phenomenon. The intensive growth of the cities will inevitably affect the entire process of the way of life of the people, the development of education and culture and the increase of local budgets. Vladimir Il'ich Lenin back in 1913 noted that "the cities are the centers of the economic, political and spiritual life of the people and are the main motive forces of progress."<sup>5</sup>

It should be kept in mind that the population of Siberia and the Far East is growing due to the urban population; the size of the rural population in 1977 had decreased as compared with 1926, while the urban population had increased by 16.5 million. Not only are the old cities (Novosibirsk, Omsk, Krasnoyarsk, Irkutsk, Khabarovsk, Vladivostok and others) growing, but new ones--Bratsk, Angarsk, Sayanogorsk, Mirnyy and others, especially in the northern regions--are continuously being built.<sup>6</sup> The growth of the cities will affect the questions of the development of housing services and civic improvements, the commodity turnover and personal services, capital construction both in local industry and in the health and educational system. The network of sociocultural institutions and, consequently, the expenditures on public education, health, social security and physical culture will increase considerably.

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5. V. I. Lenin, "Poln. sobr. soch.," Vol 23, p 341.

6. N. N. Nekrasov, "Regional'naya ekonomika" [Regional Economics], Moscow, Ekonomika, 1978.

At present the network of sociocultural institutions has already been developed to the extent required to serve the population of the region. Thus, in Siberia and the Far East there are 15,071 secondary schools, at which 3.4 million students are studying, 100,000 are studying at tekhnikums financed from local budgets. In the region 10,662 palaces and houses of culture and clubs are in operation. A hospital system with 331,065 beds has been developed, there are 10,462 paramedic centers. At the 1,903 nurseries 113,348 children are cared for and at the 4,477 kindergartens--450,613 children. In 1979 it is planned to allocate 2.2 billion rubles for education, 1.8 billion rubles for health, 4.1 billion rubles for physical culture and 95 million rubles for social security.

However, it should be borne in mind that the emergence of new settlements and cities and, consequently, the growth of the population are accompanying the enormous construction being carried out in the region, which will inevitably involve the further development of the local economy, the network of sociocultural institutions and the expenditures on maintaining them. All this vividly shows how great the opportunities are and at the same time how complicate the tasks on increasing the size of the population and attaching personnel are.

The economy of Siberia and the Far East also occupies an appropriate place in the formation of state revenues. With the growth of the economy and the placement of hundreds of new enterprises into operation the receipts of the turnover tax and the payments from the profit will increase considerably.

It is necessary to step up the work on seeking revenues received from state enterprises and economic organizations due to the expansion of production and the improvement of the qualitative indicators of operation: the more and more extensive introduction in production of the latest achievements of science and technology, the output of products of a high quality and in the set assortment, as well as due to the steady increase of labor productivity, the reduction of the production cost and the increase of the profitability of production.

Great efforts will be required both in finding revenues and in ensuring the timely purposeful financing of expenditures. This article does not cover all the questions connected with the mobilization of revenues and the financing of the national economy and sociocultural measures, since they have been covered in materials pertaining to the activity of all the financial organs of the RSFSR. Let us dwell only on those which are of particular importance for this region.

In the eastern part of the Soviet Union only Western Siberia is one of the most developed agricultural regions. And although of the total area only 358,000 km<sup>2</sup>, or 14.7 percent, falls to agricultural lands, Western Siberia by the amounts of agricultural land holds second place among the economic regions of the RSFSR, yielding first place only to the Povolzh'ye Economic Region. In Altayskiy Kray, Novosibirskaya, Omskaya and Kemerovskaya oblasts and the southern rayons of Tyumenskaya and Tomskaya oblasts agriculture has

been set up and is being rapidly developed; some sectors of it play a significant role in the all-union production of agricultural products.

The gross harvest of wheat--the main grain crop of the region--reached 8.1 percent of the all-union harvest. Here 5.9 percent of the meat, 6.9 percent of the milk and 5.5 percent of the eggs are produced. With the complete satisfaction of the demands of the population of the region a significant amount of grain products, meat and milk are shipped to the Urals, Eastern Siberia and the Far East.<sup>7</sup>

However, much work is in store in order for the agriculture of the entire region to conform to the tasks set for it at the July (1978) CC CPSU Plenum. CC CPSU General Secretary Comrade L. I. Brezhnev stressed "that the problems of this sector have still not found the proper place in the set of measures on the economic development of the zone. It is necessary to spend much money on shipping agricultural products here, many of which could be successfully produced locally. I believe that this must be corrected, so that the demands of the population for such products as meat, milk, eggs, vegetables, potatoes and several others would be satisfied as much as possible on the basis of local production."

These instructions oblige the financial organs of the region to treat the economy of the sovkhoses and kolkhoses of Siberia in a new way. It is necessary to seriously analyze the use of resources for increasing the production of the products of farming and livestock breeding and improving their quality. It is necessary to keep track of the trend of the economic indicators--are they improving or worsening, is the production cost of some types of products increasing or decreasing, is their profitability decreasing or increasing. It is necessary to do everything so that the enormous amount of capital being invested in agriculture would provide the maximum yield.

The financial organs of the region should devote much attention to the monitoring of the activity of the river fleet. The river fleet is playing an important role in ensuring the shipments of cargo to the petroleum-producing regions of Western Siberia, to Eastern Siberia and the Far East, where it is practically the only type of transport which makes shipments for industry and other sectors of the national economy.

It should be kept in mind that Western Siberia alone, which is inferior in the supply of water resources to Eastern Siberia and the Far East, has more than 2,000 rivers, the total length of which exceeds 250,000 km. The Ob', the Irtysh and 61 of their tributaries are being used for navigation. The length of the navigable sections of the rivers is 42,000 km.

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7. D. V. Belorussov, P. P. Panfilov, V. A. Sennikov, "Problemy razvitiya i razmeshcheniya proizvoditel'nykh sil Zapadnoy Sibiri" [Problems of the Development and Distribution of the Productive Forces of Western Siberia], Moscow, Mysl', 1976, p 85.

At the same time during the years of the 10th Five-Year Plan the RSFSR river fleet had a shortfall in the fulfillment of the plan of the freight turnover in the amount of 25.4 billion ton-km. The plan of the profit and payments to the budget is not being fulfilled. As a result the republic budget did not receive enough revenues and was forced to cover the shortage of its own working capital in 1976 in the amount of 69.6 million rubles, in 1977--47.9 million rubles and in 1978--more than 12 million rubles.

In spite of the high growth rate of the shipments of cargo to the petroleum- and gas-producing regions of Tyumenskaya Oblast, the planned volumes are not fully meeting their increasing demands, for example, of such regions as the gas condensate deposit in Urengoy, which is now well known to the entire country.

Annually the demand for shipments is not met by approximately 3 million tons, including 800,000 tons for the Far North. Last year 88.6 percent of the orders for the hauling of cargo on the Nadym River were filled, on the Pur River--41.3 percent and on the Taz River--84.4 percent. All this is leading to the need to resort to the expensive transfer of freight by airplanes. Moreover, in 1978 the plan on the hauling of freight to the petroleum- and gas-producing regions of the Arctic Circle region was not fulfilled, and the delivery of freight for the builders of the Baykal-Amur Main Rail Line was also not ensured.

The monitoring of the activity of motor transport enterprises is of great importance. The total length of roads in Western Siberia alone is 80,000 km. The operation of motor transport on the former Siberian Highway, which runs mainly parallel to the Transsiberian Railway, as well as the Chuysk Highway, over which the foreign trade traffic of the USSR with Mongolia and other countries is accomplished, is of great importance. It should be kept in mind that roads which are less equipped, but which play a significant role in supply the remote regions, especially in the winter, run from the main roads deep into Siberia.

It is necessary for each motor vehicle to operate productively under these conditions. Meanwhile, in the system of the Ministry of Motor Transport the empty runs and downtimes of the vehicles in good condition are great, the proportion of the hauls of freight in trailers is extremely low and the shift coefficient is low. In 1978 slightly more than half of the truck fleet (56-68 percent) operated on the line in the Chita, Yakutsk, Sakhalin and Eastern Siberian transport administrations. At the Sakhalin and Amursk transport administrations the trucks operate primarily for one shift (9.0-9.1 hours).

The trailer fleet is being used inadequately. At the Amursk, Sakhalin, Tuvinian and Yakutsk transport administrations the trailers are being used at a level of 48-56 percent. At the Krasnoyarsk and Eastern Siberian transport administrations the volume of shipments using trailers is extremely low and was 8.5-10.2 percent.



Road construction is playing an important role in the overall development of Siberia and the Far East. The party and government are devoting much attention to the road management of this region. In 1978 about 728 million rubles were allocated for its development. However, the road organizations are unsatisfactorily fulfilling the plans of the construction, repair and maintenance of highways. In 1978 the plans of capital investments and construction and installation work were not fulfilled.

A lag has occurred in the fulfillment of the plan on the construction of a number of most important projects, including the highways: the Barnaul-Semipalatinsk on the Pospelikhha-Rubtsovsk section in Altayskiy Kray; the Novosibirsk-Kemerovo-Krasnoyarsk; the bridge crossing over the Ola River on the Morskoy port-Nagayevo-Magadan-Airport Highway in Magadanskaya Oblast. The business of fulfilling the plans of the capital repair of hard surface roads is unsatisfactory. Thus, the road organizations of the Tuvinskaya and Yakutskaya ASSR's, Omskaya, Tomskaya, Chitinskaya and Novosibirskaya oblasts in 1978 did not fulfill the plans on the capital repair of roads.

The nonfulfillment of the assignments is connected with the low level of production organization and the inadequately effective use of road construction machinery and truck transport. The shortcomings in the organization of economic and financial work have not been eliminated. The road organizations of Siberia and the Far East in 1978 did not ensure the fulfillment of the profit plan (94.8 percent). The financial organs of Siberia and the Far East must do much work in order to achieve a significant improvement in road construction and an improvement of the economic indicators.

The development of the productive forces of the eastern regions is an economic and political problem, on the solution of which the economic might of the country depends. In ascribing the greatest importance to the rational distribution of the productive forces of the country, which promotes the achievement of a great efficiency of the socialist economy, V. I. Lenin placed in first place the possibility of "independently supplying ourselves with all the most important types of raw materials...."<sup>8</sup>

The implementation of these instructions, the consistent study of natural resources and the development of new raw material and power bases in many regions of the country enabled the Soviet Union to occupy a leading place in the world according to the degree of supply with resources and governed the new distribution of physical production, as well as the development of a large number of industrial centers and the formation of new economic regions.

In examining the questions of the long-term, long-range plan of USSR national economic development, Comrade L. I. Brezhnev in the report "On the Fiftieth

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8. V. I. Lenin, "Poln. sobr. soch.," Vol 36, p 228.



Anniversary of the Union of Soviet Socialist Republics" noted: "Now that the problem of equalizing the levels of the economic development of the national republics in our country has basically been solved, we have an opportunity to approach economic questions first of all from the point of view of the interests of the state as a whole, the increase of the efficiency of the entire USSR national economy--of course, with allowance for the specific interests of the union and autonomous republics."

The task of the financial organs is for them, through financial and credit levers, to step up the influence on the increase of production efficiency and work quality, the detection of internal economic reserves for increasing the accumulations and revenues of the budget, which will promote the successful development of the economy of the region.

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## SCIENTISTS AID SIBERIAN DEVELOPMENT

Moscow IZVESTIYA in Russian 16 May 79 p 2

[Article by A. Filatov, first secretary of the Novosibirskaya CPSU Obkom: "Scientists in the Vanguard of the Search"]

[Text] A key problem in the party's economic policy is to further increase the efficiency of public production and to improve the quality of the work. And therefore during past decades in our oblast there has been especially intensive development of branches that determine technical progress in the national economy: machine building, radio-electronics and chemistry. Enterprises have produced many new machines and other items which, in terms of their technical and economic indicators, are as good as the best foreign analogs.

Cooperation between scientists and production workers begins, as a rule, with publicity of the achievements of science. Reports on the results of research and meetings in shops and sections with engineers, technicians and workers help to achieve concreteness in publicizing new technical equipment and technology as well as to link it more closely to the resolution of economic problems.

The bureau of the CPSU obkom has approved the practice of applying scientific achievements at the Novosibirsk Aircraft Plant imeni Chkalov which has received 20 rubles in profit for each ruble invested in science. The new technical equipment is disseminated from here throughout the entire branch. In hundreds of other production collectives an indefatigable search is being waged and practical work is being done to produce new scientific developments.

Scientists of the Siberian Department of the USSR Academy of Sciences and the Siberian Department of VASKhNIL have developed a number of effective measures for advancing agriculture, some of which are being consistently introduced into agricultural production. But the rates of their introduction should be higher and science should produce more recommendations, especially for increasing the fertility of the soil and the productivity of the fields.

Little more than 2 years have passed since the party central committee adopted the decree "On the Activity of the Siberian Department of the USSR Academy of Sciences for Developing Fundamental and Applied Scientific Research, Increasing its Effectiveness, Introducing Scientific Achievements into the National Economy and Training Personnel." This document gave high evaluation to the work of Siberian scientists. Additionally, the CPSU Central Committee made it incumbent on party organizations of scientific institutions and all communists to devote even more attention to increasing the effectiveness of fundamental and applied research and its coordination, and to reduce the time periods for the development and the submission of final results to production.

The plenum of the party obkom took note of the positive activity of academic and branch scientific institutions, faculties and laboratories of the higher schools and production collectives for fulfilling the decree of the party central committee. Many works of Siberian scientists are now well known far beyond the borders of the oblast and the country. But perhaps the main thing is that the Novosibirsk Scientific Center is developing the process of bringing fundamental and applied research even closer together. Scientific and technical potential is being concentrated in areas related to the resolution of large scientific and national economic problems.

During the years of the Ninth and Tenth Five-Year Plans scientists of the Siberian Department of the USSR Academy of Sciences submitted several hundred large developments to the ministries and departments, and 43 of them have been introduced throughout entire branches.

More than 50 large developments of the Siberian Department of the USSR Academy of Sciences are now in the stage of introduction at Novosibirsk enterprises. Among them is the Sigma automated control system for production which is recognized as one of the most efficient in the country. On the basis of the developments of the Institute of Hydrodynamics, industrial production of bimetallic parts using blast welding has been organized at the Siblitmash plant. This technology reduced the expenditure of copper alloys almost to one-twentieth of the former level and increased labor productivity four-fold. Taking advantage of this technology, the Sibelektroterm plant began to produce electric furnaces which have no equals in the world.

Branch research, design and planning collectives are making an important contribution to ensuring technical progress at enterprises of Novosibirsk and the oblast. During last year alone 70 of these organizations carried out more than 1,700 projects and introduced 660 developments into production.

During the years of the Tenth Five-Year Plan the collective of 6,000 teachers and scientific workers of VUZ's in the oblast doubled the volume of research and last year alone they introduced the results of research with an overall economic effect of 56 million rubles.

Thus along with the increase in the scientific potential of the Siberian Department of the USSR Academy of Sciences, Novosibirsk's scientific potential increased as well. But still party organizations and leaders of scientific institutions will have to do a great deal in order to provide for

the level of work that is required by the decisions of the 25th congress and the decree of the CPSU Central Committee concerning the activity of the Siberian Department of the USSR Academy of Sciences.

A number of enterprises have organized poorly the work for creating more productive technical equipment and do not adequately take advantage of progressive technology, comprehensive mechanization and automation of labor processes.

Frequently the plans for scientific research are formed without taking into account large-scale, long-range problems. The potential of the VUZ's is not being fully utilized for solving the most important scientific and technical and socio-economic problems of the oblast and of all of Siberia.

Individual scientific institutions do not wish to deal persistently with problems of introducing their developments into production. As a result they are not applied in practice.

The greatest bottleneck in the practical utilization of the rich scientific reserve of academic and VUZ science is the lack of correspondence between the possibilities of the production and experimental base and the tasks set by the national economy. Therefore it is necessary to strengthen those areas which directly join science to production.

Further development of research is unthinkable without extensive automation of scientific experiments and the utilization of electronic computers and mathematical modeling methods. Another large reserve for intensifying the labor of scientists is to create specialized centers for collective use of unique scientific equipment and instruments and to expand the production and experimental base of science in the sphere of production itself.

To search out modern new forms of ties between science and production is a most important task of party organizations and managers of research organizations and production.

One should also speak about improving the system of the mechanism for managing the entire chain of "research -- development -- production -- consumption."

During past years large changes have taken place in the consolidation of the union between science and production. The Presidium of the Siberian Department of the USSR Academy of Sciences has taken energetic measures in this area.

There should be more extensive application of special-purpose program management of the development of the oblast's economy. The comprehensive Sibir' program, which is becoming one of the main pivotal points of the work of Siberian scientists, can serve as an example. In order to accelerate the introduction of scientific achievements, in a number of cases it is expedient to create special subdivisions. This is especially important for enterprises that do not have an experimental base.

An increasingly important role should be played by branch scientific research institutes and design bureaus. They must become the promoters of scientific and technical progress by providing a link between the two flanks: with enterprises, on the one hand, and with fundamental science, on the other. The time has come to analyze once again the work for improving the creation of an area for introduction around the Novosibirsk Scientific Center and also to analyze the activity of scientific research institutes and design bureaus that are under dual jurisdiction in order to achieve a greater return from them.

Councils for promoting scientific and technical progress and the council of rectors of VUZ's which operate under the CPSU obkom and the oblast soviet of people's deputies are being assigned an ever greater role in the concentration of forces and resources in the main areas of the development and improvement of production and also in the coordination and interaction of collectives of scientists and production workers.

Under modern conditions the effectiveness of scientific research depends largely on close interaction among natural, technical and humanitarian sciences. Science is making an about-face in the direction of man. And researchers in the area of social sciences must do a great deal in order to accelerate scientific and technical progress.

In their daily practical work social sciences and party organizations are faced with large tasks for improving man's ideological and moral education.

The presence of large scientific centers is being felt in the daily life of Novosibirsk and the oblast. Eminent scientists give lectures in branch scientific research institutes and design bureaus as well as in collectives of workers and kolkhoz workers. This helps people to take a new look at their affairs and tasks, and it raises the level of propaganda and agitation work.

The scope of research raises problems which we still have to resolve. What is the most efficient principle for the construction of scientific institutes? What is their most expedient structure? How does one select the most capable workers for research? Increasing the efficiency of science will depend to no small degree on how correctly these questions are answered.

Each communist should be in the vanguard of the struggle for accelerating scientific and technical progress, should in all ways support what is new and advanced, and should fight against technical inflexibility and routines. Herein lies the guarantee of successful implementation of the tasks set by the 25th CPSU Congress.

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CSO: 1820



## ACADEMICIAN DISCUSSES OVERALL SIBERIAN DEVELOPMENT

Moscow EKONOMICHESKAYA GAZETA in Russian No 30, Jul 79 p 6

[Article by Academician A. A. Trofimuk, first deputy chairman of the Siberian Department of the USSR Academy of Sciences: "The Comprehensive 'Sibir' Program"]

[Text] The words of D. I. Mendeleyev to the effect that there exists a bridge between theory and practice and movement over it proceeds in both directions are well known. A clear illustration of the fruitfulness of the interconnection between science and practice, fundamental and applied research, is the program called "Comprehensive Assimilation of the Natural Resources of Siberia" which was developed by the Siberian Department of the USSR Academy of Sciences. The program is intended to substantiate scientifically methods of comprehensive and effective utilization of the natural wealth of Siberia and the Far East. It was prepared taking into account the recommendations of party and economic activists and joint conferences of managers of oblast, kray and republic organizations. Those who formulated the program heeded the advice of L. I. Brezhnev which was directed to scientists of the Siberian Department of the USSR Academy of Sciences during the course of his trip through the regions of Siberia and the Far East.

### Key Problems

At the basis of the unified comprehensive "Sibir" program lie about 30 regional problem subjects. They are concretized in the key problems of comprehensive utilization of the mineral-raw material, land, timber and water resources of Siberia. The program envisions long-term aspects of the socio-economic development of Siberian territorial production complexes and economic problems of interbranch complexes that are of national economic and regional significance. It devotes special attention to questions of protecting the environment and solving ecological problems in industrially developed regions and regions of recent industrial assimilation. Participating in the implementation of the program are 50 institutes of the Siberian Department of the USSR Academy of Sciences and about 200 institutes of the Siberian Department of VASKhNIL, the Siberian Branch of the Academy of Medical Sciences, VUZ's and other departments.

In the next 10 years petroleum and gas, primarily from the Tyumen' area, will continue to play a decisive role in providing the country with fuel and power. Even today Western Siberia determines the increase in the extraction of petroleum and soon it will also determine the increase in the extraction of gas in the USSR.

This is why in the comprehensive "Sibir'" program we devoted special attention to the regional program "Petroleum and Gas of Western Siberia," whose goal is to maintain the rates of extraction of petroleum and gas at a level which provides for their steady increase in the country as a whole until the end of the century. In close cooperation with geologists and geophysicists of the Ministry of Geology of the USSR and the RSFSR, by working directly in Western Siberia, it was proved that the task of increasing supplies of petroleum and gas can be resolved by discovering a new type of deposit in petroleum and gas provinces that are already known. The actual prospects for increasing the extraction of petroleum are also related to the Paleozoic deposits which, in our opinion, open up the next stage in the assimilation of already known and new regions of Western Siberia -- Tyumenskaya, Tomskaya, Novosibirskaya and Omskaya oblasts.

The fundamental research of tectonicians, stratigraphers and paleontologists have brought prospecting work on large areas to the forefront. And the possibility of direct discovery of petroleum deposits, according to data from seismographic and electric geophysical exploration, which was suggested by our geophysicists, will make it possible to increase sharply the efficiency of prospecting and explorational drilling. Taking into account the fact that the preparation of supplies of petroleum lags behind the rates of development of petroleum extraction in Western Siberia, it is necessary to double the volumes of prospecting and explorational drilling here in the near future.

The program "Petroleum and Gas of Western Siberia" also investigates problems related to improving the development of petroleum deposits and improving the quality and coefficient of petroleum return from petroleum and gas beds that are explored as well as improving transportation and processing of petroleum and gas.

The scale of petroleum extraction requires a powerful network of petroleum and gas pipelines. The program envisions the construction of "Trans-Siberian" petroleum and gas pipelines under the conditions of permafrost and marshy ground, and the development of more productive methods of transporting large flows of natural gas. There are already concrete recommendations which are being successfully assimilated by production workers, but both scientists and practical workers still have serious work to do on many fronts.

But regardless of how great the rates of extraction of petroleum and gas in Western Siberia might be, it is necessary to prepare a new base. And the task of science is to develop the corresponding research which will help to reveal this base and determine its dimensions.

An important place among resource and raw material programs belongs to work for creating new and expanding existing bases for the extraction of ferrous, nonferrous and noble metals and for the discovery of supplies of phosphorites and potassium ores. Recently in Krasnoyarsk a scientific and practical conference completed its work on problems of the Noril'sk industrial region. It gave detailed consideration to questions of its future development which were envisioned by the "Sibir'" program. An agreement was signed here for scientific and technical cooperation between the Noril'sk mining and metallurgical combine and the Siberian Department of the USSR Academy of Sciences.

The "Ugol' Kuzbassa," "Kansko-Achinskiy Toplivno-Energeticheskiy Kompleks," "Baykal," "Khozyaystvennoye Osvoyeniye BAM," "Ekologiya, Okhrana Okruzhayushchey Sredy" and a number of other programs are progressing successfully.

#### Scientific Exploration and Practice

In addition to fundamental research, the "Sibir'" program envisions close interaction between scientific institutions and production institutions. This makes it possible to utilize more fully and efficiently the material resources which the country can invest in the program at this stage. Many years of experience in scientific and technical cooperation between institutes of the Siberian Department of the USSR Academy of Sciences and large enterprises (Novosibirsk Sibsels'mash plants, the Aircraft Plant imeni V. P. Chkalov, the electrothermal equipment plant, the Iskitinskiy and Medvedskiy sovkhoses, and the Sibakademstroy construction administration) have convinced us of the effective influence of fundamental research on practice. The reverse ties that arise stimulate the setting of new fundamental problems. Today the Siberian department has long-term programs for cooperation with 10 industrial ministries and four joint comprehensive programs have been formulated with the RSFSR Ministry of Higher Educational Institutions. There are 43 large developments of scientists of the Siberian Department of the USSR Academy of Sciences that have been widely disseminated in a number of branches. The collective of the Siberian Department of the USSR Academy of Sciences has prepared a two-volume scientific report entitled "Economic and Social Problems With the Development of Productive Forces of Siberia During the Period Up To 1990."

All this shows the truly immense possibilities of cooperation between academic and VUZ science and specific enterprises and branches. For example, within the framework of the program extensive joint work is being done for the intensification of nonferrous metallurgy. Geologists predict the expansion of the raw material base and chemists are proposing a method of extracting a large number of useful components from ores. A considerable number of the proposals from scientists are already undergoing experimental industrial testing.

Long-range plans for satisfying the needs of Siberian agriculture for mineral fertilizers have been earmarked. Our fields are very much in need of potash. The (synnyrity) that have been discovered by geologists make it possible to

resolve this problem on a nationwide scale. A method has been substantiated for processing the phosphorites that were discovered in the Buryatskaya ASSR. This acid-free method makes their preparation for assimilation by the soil simpler and less expensive. And this is the way it is in everything: Any proposal here is reinforced by related sciences and tested for economy.

We have contacts with VUZ's of Novosibirsk, Tomsk, Kuzbass and Tyumen'. In particular, the initiators of the new method of processing KATEK coal were precisely the VUZ's and we took up and developed their idea. So coordination is already taking place here.

We understand well that the activity of all scientific, design and production organizations must be imbued with modern ideas of science and technology in order, on the basis of this, to raise the utilization of the natural resources of Siberia to a higher level.

For instance, scientists are now studying the question of the redistribution of the flow of Siberian rivers. We are faced with a very responsible task: To give a correct and exhaustive prediction. Here it is necessary to weigh everything -- economics to ecology. This is why we are working out the variants in such great detail and in so many ways, studying existing experience, and tracing possible ecological consequences by means of models.

The "Sibir'" program is intended for at least 10 years. But each year we make proposals which have already matured, in order that they may be promptly reflected in five-year plans. The "Sibir'" program is unthinkable without continuous introduction. This is dictated by its very essence.

The development of the program and the origination of new suggestions increase the role of analysis of the efficiency of scientific research. In essence, the "Sibir'" program is a scientific production program and the first experience in its implementation convinced us of the need for a special-purpose approach to the coordination of all subdivisions.

The specific directions of the program with respect to the needs for the development of Novosibirskaya Oblast were refined at a recent plenum of the Novosibirskaya party obkom, which considered the problem of further increasing the efficiency of the work of scientific institutions and accelerating scientific and technical progress, and also at a plenum of the Soviet republic committee of the CPSU which was devoted to the implementation of the comprehensive "Sibir'" program. This helped to reveal significant shortcomings. Thus certain institutes still do not take good advantage of the possibilities of concentrating efforts in the major areas. Considerable improvement is necessary in the material-technical and production base of scientific institutions. There is already a clear need to strengthen certain areas of fundamental research and also to begin work on new research as well as to deepen ties with production collectives and make them more effective.

Receiving constant support from the CPSU Central Committee for the development of Siberia's scientific potential, we always recall that when organizing the Siberian Department of the USSR Academy of Sciences the task that was set was to maximally assist the development of science and the application of its achievements in the national economy and to bring fundamental research closer to the crucial problems in the economic development of various branches. This was again emphasized in the decree adopted in February 1977 by the CPSU Central Committee, "On the Activity of the Siberian Department of the USSR Academy of Sciences for Developing Fundamental and Applied Scientific Research, Increasing Its Effectiveness, Introducing Scientific Achievements Into the National Economy and Training Personnel." The "Sibir'" program is continuing the tradition of the Siberian Department of the USSR Academy of Sciences and forming an essentially new stage in the ensurance of accelerated rates of economic assimilation of the eastern regions of our country.

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CSO: 1820



## UZBEK PARTY SECRETARY URGES CLOSER TIES BETWEEN SCIENCE, INDUSTRY

Moscow EKONOMICHESKAYA GAZETA in Russian No 27, Jul 79 p 7

[Article by I. G. Anisimkin, secretary of the Central Committee of the Communist Party of Uzbekistan: "Strengthening Ties Between Science and Industry"]

[Text] Our republic, a constituent part of the country's unified national economic complex, has significant energy resources at its disposal. This is a good prerequisite for accelerated development of electric power engineering, which makes it possible to create good preconditions for increasing the growth rates of electric power availability for labor, comprehensive mechanization and automation of production processes. Thus we are speaking about relying on the achievements of science and advanced practice in order to provide for a rapid increase and optimal utilization of energy resources. This is one of the crucial tasks of our scientists and practical workers, toward whose resolution the central committee of the republic communist party is directing the efforts of collectives of scientific and design institutes, associations and enterprises.

Machine builders of Uzbekistan are faced with serious tasks related to technical rearmament of many branches of the national economy. It will be necessary to expand significantly the industrial application of modern technological processes such as oxygen flame smelting of nonferrous metals, vacuum, cold and hot stamping, powder metallurgy and the use of diamond instruments.

A number of large-scale measures are planned for improving the technical process in the cotton cleaning branch. In light industry much must be done to form an efficient structure of the products that are produced and to utilize new kinds of raw and processed materials, especially chemical fibers and artificial leathers.

The republic has a significant scientific potential at its disposal. We have 190 scientific institutions in operation, in which more than 30,000 scientific workers are employed. Among them are 870 doctors and 12,000 candidates of sciences. In 1978 alone expenditures on the development of science exceeded 56 million rubles.

More rapid rates of development are found in the natural technical branches of science, which exert a direct influence on the development of the republic's productive forces. We have many examples of serious scientific developments.

For example, Academician S. Azimov has developed and introduced into production a technology for obtaining superpure silicon. The economic effect is more than 100 million rubles. Doctor of Technical Sciences A. Glushenkova has developed a low-temperature system for hydrogenation of cottonseed oil with a copper and nickel catalizer. This method was introduced at the Tashkent oil and fat combine. Its application makes it possible to achieve significant savings on the initial raw material for the output of the final product. A young scientist, A. Akhmedov, in his candidate's dissertation suggested a plan for strengthening the foundations of turbo-aggregates with capacities of 300,000 kilowatts. According to the document for its introduction, the economic effect amounts to about 500,000 rubles. There are many examples like these. Suffice it to say that in institutes of the republic Academy of Sciences alone, every ruble that is invested produces a return of 5 rubles.

#### All Reserves -- in Action

We have become accustomed to evaluating our successes and analyzing our shortcomings critically. In particular, an analysis of the utilization of scientific research developments completed by 72 scientific institutions showed that more than 47 percent of them were not applied in the national economy. Many highly effective developments travel a long and difficult path to industry; the length of time for their introduction sometimes amounts to 5 years and more.

Another important factor that reduces the effectiveness of scientific and technical developments is their incompleteness. Half of the developments of scientists are not applied because of this. One should say that certain research projects have not undergone industrial testing and others have not been provided with the necessary documentation or technical and economic substantiation.

Recently the bureau of the Central Committee of the Communist Party of Uzbekistan considered the question of the work of the Uzbek SSR Academy of Sciences for increasing the effectiveness of the introduction of the results of scientific research work into the national economy. It was noted that certain ministries, departments and enterprises prolong the introduction of highly effective scientific developments into production. Therefore the Central Committee of the Communist Party of Uzbekistan demanded that party committees devote more attention to the development of scientific and technical progress.

Creative ties between training institutions and industrial enterprises are becoming stronger in the republic. For example, the Tashkent Institute of the Textile and Light Industry has cooperated creatively for many years with the Tashkent Textile Combine and the Uzbekkhlopkomash and Uzbektekstil'mash

associations. A roller gin with a new design which was developed by scientists of this institute doubles labor productivity in cotton cleaning.

But it should be noted that existing possibilities are still not being fully utilized. Sometimes there is no efficient coordination of the activities of VUZ's and enterprises in the matter of planning subjects for research and financing. Production workers do not always display the proper interest and scientists do not always display the proper initiative. This pertains especially to the utilization of valuable proposals developed in candidates' and doctoral dissertations.

I shall give one typical example. A docent of the Institute of the Textile and Light Industry, S. Saidmuratov, in his candidate's dissertation substantiated technology for producing elastic threads by the continuous method. The proposal is interesting, and also the fabric made from this thread is in great demand among the population. The scientist offered his services to the Uzbek SSR Ministry of Light Industry. At first they began to introduce the proposal, but then they discarded it and forgot about it. The Klinsk chemical fiber combine approached this proposal in an efficient way. They rapidly tested the new method and, on the basis of it, are producing high-quality fabric.

We have highly skilled specialists working in our branch scientific research institutes. They conduct their research on the basis of specific demands of industry and they achieve good results.

Stable creative ties have been arranged between many branch scientific research institutes and industrial enterprises. The development of branch science is one of the most effective forms of ties between science and industry. The ministries should render all kinds of assistance and support to branch institutes.

Our efficiency experts and inventors make a large contribution to increasing the efficiency of public production. It is gratifying to note that the army of enthusiasts of technical progress is growing each year. Today their ranks include more than 60,000 people. The economic effect obtained from the introduction of their inventions and efficiency proposals last year was equal to 123 million rubles.

These successes were achieved because of the talent and creative energy of people with inquisitive minds such as Yu. Chinnov, the brigade leader of the experimental design bureau for packing and wrapping technological equipment of the Soyuzbytkhim Association. The installation he invented for wrapping prepackaged products has been patented in six countries.

Fifteen inventions of A. Abdukadyrov, candidate of economic sciences, have been introduced into production. The economic effect is more than a million rubles. An Andizhan efficiency expert, V. Volosatov, is the author of 30 proposals which produced a savings of 22,000 rubles. Such people deserve honor and respect and a concerned attitude toward their creative labor.

We must significantly improve patent and licensing work. At one time the Central Committee of the Communist Party of Uzbekistan made it incumbent on ministries, departments and enterprises to create patent and licensing services. But they have still not been created in a number of ministries. There are such groups and divisions in certain ministries. But they are inadequately staffed with qualified specialists.

During the years of the Tenth Five-Year Plan in the republic's industry 680 sections and shops were comprehensively mechanized and automated and more than 10,000 units of equipment were modernized. This was tantamount to releasing more than 15,000 people and the economic effect was 150 million rubles. But, despite the successes that have been achieved, we understand that far from everything has been done in this area of economic activity. The level of mechanization in industry amounts to only 50 percent. Yet a number of ministries and departments regularly fail to fulfill plans for the introduction of new technical equipment. This means that a significant reserve for increasing labor productivity remains unutilized.

A special role in the development of scientific and technical progress belongs to plant research laboratories. They have been created and are operating efficiently at many large enterprises. A number of industrial problems have been solved through the efforts of the laboratory at the Tashkent Textile Combine. The work of the laboratory at the Almalyk Mining and Metallurgical Combine is worthy of attention. It solved complex technical problems such as introducing hydrometallurgy and economizing on energy resources.

But there are still only a few eminent scientists in the plant laboratories. Obviously the managers of ministries and departments must think about creating the necessary conditions for the creative labor of eminent scientists at enterprises.

#### Improving the Quality of Research

An important direction for scientific and technical progress is improving quality and developing new kinds of products. In recent years we have extensively developed the struggle for high quality of items. Our comprehensive quality control systems have been generally recognized. They are now in operation at 50 enterprises and are being introduced at 500 of them.

Since the beginning of the current five-year plan the republic has assimilated the production of about 700 new kinds of machines, equipment and instruments. There are 229 enterprises which produce 1,657 items that have the State Emblem of Quality. Uzbek electric engines, power transformers, elevators, cotton harvesting machines and many instruments and means of automation have proved themselves excellently.

But individual enterprises still produce poor-quality products and many new kinds of products have still not been assimilated. Therefore party obkoms, gorkoms and raykoms, local party organizations and executives should devote primary attention to questions of product quality.



The Central Committee of the Communist Party of Uzbekistan is constantly rendering assistance to ministries and departments in the matter of improving the work of services for scientific and technical information and patent and licensing investigations.

The work of the republic Ministry of Automotive Transportation in this area is worthy of attention. It has created a well-arranged branch system of scientific and technical information. Unfortunately the same cannot be said about the ministries of the cotton cleaning, local and the food industries or communications.

Information is the weapon of the modern executive. Without it, it is difficult to make a correct decision and in the near future it will be impossible to manage a complex enterprise without it. Consequently party, soviet and management leaders must be concerned about creating a system of information in the branches, associations and at each enterprise.

A key area in the increased effectiveness of scientific research is the creation of testing and experimental bases of scientific research institutes, training institutions, ministries and enterprises. The issue is really an important one. It is necessary not only to create possibilities, but also to utilize existing ones efficiently. For example, the Institute of Electronics of the Uzbek SSR Academy of Sciences has at its disposal a powerful experimental design industrial base in which more than 400 people are employed, but it has still not produced the proper return.

There is every reason to create large scientific production associations in the republic. We already have the Tekhnolog, Signal and other scientific production associations. They play an important role in the development of scientific and technical progress.

We must think about how best to organize scientific, planning-design-technological institutions and experimental plants into a unified economic complex. There are possibilities of creating scientific production associations in the light, food, meat and dairy, and other branches.

This is one path. We have also considered another possibility: To create on an economic contractual basis scientific production complexes which would include large training institutes and production associations under the general management of coordination councils.

Councils for promoting scientific and technical progress that have been created under party obkoms, gorkoms and raykoms render a great deal of assistance in the matter of introducing scientific and technical developments into production. There are now 12 oblast, 26 city and more than 100 rayon soviets in the republic which join together about 600 special-subject commissions.



Actively participating in the work of these councils are more than 6,000 highly qualified specialists, scientists, production innovators, and managers of party, soviet, trade-union, economic and Komsomol agencies. The scale of the work that is being done is demonstrated by the fact that the councils have considered about 3,000 crucial scientific and technical problems. The problems that have been considered are of exceptional importance for the development of the national economy of Uzbekistan. Specific recommendations have been made regarding each problem and their fulfillment is under constant supervision.

In order to solve problems of scientific and technical progress efficiently, it is necessary to look far into the future. This year the Uzbek SSR Gosplan, the ministries and departments, and scientists of the republic Academy of Sciences have developed a comprehensive program for scientific and technical progress and its socio-economic consequences up to the year 2000.

This document earmarks the tasks for further increasing the volumes of cotton growing and utilizing labor resources. It envisions creating a number of new branches, cities and rayons. This will require a deep restructuring of our work and an increase in the role of party organizations in mobilizing the workers' creative efforts for solving the problems that are facing us.

11772

CSO: 1820

## CHARGE FOR CAPITAL AS ECONOMIC STIMULUS

Moscow FINANSY SSSR in Russian No 7, Jul 79 pp 30-34

/Article by Ye. G. Pavlova: "On the Stimulating Role of the Charge for Capital"/

/Text/ Since the first years of existence of the socialist state the problem of the better utilization of fixed production capital has been a subject of economic research and has constantly been at the center of attention of management and economic organs. Its successful solution largely depends on the degree of coordination of the indicators of efficiency of the fixed capital with economic levers. The lack of a direct link of the economic results of production with the efficiency of the utilization of the means of labor gave rise to the need to use as an additional connecting link such an economic lever as the charge for productive capital.

The question of establishing a charge for capital was raised for the first time in our country in 1922-1923. In the plan of the USSR People's Commissariat of Finance it was proposed to introduce a so-called special levy from the capital of state industry. This should have promoted the better utilization of the means of production, which had been transferred by the state to the enterprises.

A real opportunity to introduce a charge for capital appeared only during the years of the economic reform. Initially great hopes were placed on the stimulating influence of the charge for capital. But the practice of its use showed that, in spite of some improvements, a fundamental change in the use of fixed capital did not occur. In this connection skeptical suggestions appeared in economics literature to the effect that it was necessary to reject the further imposition of the charge for capital.<sup>1</sup>

The complete rejection of the stimulating role of the charge for capital is the result of its examination outside the system of economic stimulation as a whole, disregarding the really existing conditions of the reproduction of fixed capital. In our opinion, it is necessary to raise the question not of the abolition of this payment, but of the better development of the mechanism of its effect. Many economists see one of the main weaknesses of the

charge for capital, which decreases its effectiveness, in the inadequate level of its rates and its proportion, which is low as a result of this, in the profit being distributed. Indeed, as is shown by Table 1, which was compiled from the data of the statistical collections "Narodnoye khozyaystvo SSSR" /The USSR National Economy/, after making preferential payments, forming the incentive funds and meeting other needs the industrial enterprises are left with considerable amounts of the net surplus of the profit, which are transferred to the budget.

Table 1\*  
(in percent)

(1) Годы	(2) Получено прибыли (всего)	(3) Распределение прибыли					
		(4) плата за фонды	(5) финанси- руемые (rentные) платежи	(6) отчисления от прибыли	(7) перво- очередные платежи (всего)	(8) оставлено в распоря- жение предприя- тия	(9) свободный остаток прибыли
1966	100	2	—	67	69	26	5
1967	100	7	3	43	53	30	17
1968	100	13	5	19	37	33	29
1969	100	17	5	7	29	38	32
1970	100	17	5	4	26	38	35
1971	100	18	5	3	26	40	33
1972	100	19	4	2	25	39	35
1973	100	20	5	1	26	43	30
1974	100	20	5	1	26	43	30
1975	100	22	4	1	27	42	30
1976	100	23	4	1	28	41	30

Key:

- |                             |                                             |
|-----------------------------|---------------------------------------------|
| 1. Years                    | 6. Profit withholding tax                   |
| 2. Profit received (total)  | 7. Preferential payments (total)            |
| 3. Profit being distributed | 8. Left at the disposal of enter-<br>prises |
| 4. Charge for capital       | 9. Net surplus of profit                    |
| 5. Fixed (rent) payments    |                                             |

\* Since 1969 "other payments" in the amount of 1 percent--deductions for subsidiary agriculture and supplementary payments in accordance with the annual recomputation of payments--are not taken into account.

From the table it is evident that the proportion of the charge for capital in the profit being distributed is gradually increasing. However, during 1966-1972 the proportion of the net surplus increased at the same time as it did, but since 1973 it has stabilized, in spite of the increase of the proportion of the charge for capital.

The upper boundary of the standard of the charge in the USSR is 6 percent<sup>2</sup> for the majority of sectors of industry with a negligible differentiation in some of them. This level of the rate of the charge for capital was set during the economic reform on the basis of the average industrial level of profitability of 15 percent. As is known, the actual profitability in some

sectors differs substantially from this average indicator. For example, in light industry in 1976 it was 26.8 percent, in the petroleum refining industry--23.3 percent, in the food industry--21.2 percent, in electric power engineering--6.5 percent, in the construction materials industry--8.5 percent, in the timber and wood processing industry--9.4 percent, and so on.

Among economists one encounters many advocates of the rejection of the differentiation of the rates of the charge for capital and the establishment of a uniform standard. Their main argument is the assertion that in the sectors, in which the level of its rates are relatively low, less effective investments will be made.<sup>3</sup> In the opinion of R. A. Otsason, one of the representatives of this group of economists, the standard of the charge for capital should be fixed at the level of the standard of efficiency of capital investments less the proportion of the profit which goes for the formation of incentive funds and social insurance (approximately 2.5-3 percent and 3-4 percent of the value of the productive capital), and should be 8 percent (12 percent - 4 percent).<sup>4</sup>

We believe that the establishment of a uniform standard of the charge for capital at such a level is unacceptable. First, for industry as a whole with a profitability of 14.4 percent (1976) the net surplus with a standard of the charge for capital of 8 percent would decrease in all to 22.3 percent as against the actual 30 percent. Second, it is not taken into account here that with a wide differentiation of the profitability the uniform rate of the charge of 6 percent is already creating an unequal burden of assessment of the capital for various sectors. With a rate of 8 percent this inequality increases even more (Table 2).

Table 2\*

(1) Секторы	(2) Рентабельность (1976 г.)	При норме платы за (3) фонды 6%		При норме платы за (4) фонды 8%	
		(5) Величина плат за фонды и прибыли	(6) Отклонение от средне- промышлен- ной	(5) Величина плат за фонды и прибыли	(6) Отклонение от средне- промышлен- ной
(7) Промышленность	6,5	50,95	- 27,95	67,76	- 17,09
(8) Промышленность (без черной металлургии)	13,2	21,79	- 1,21	28,98	- 1,09
(9) Промышленность (без черной металлургии и машиностроения)	24,2	14,36	- 8,74	18,97	- 11,70
(10) Промышленность (без черной металлургии, машиностроения и приборостроения)	20,8	15,92	- 7,08	21,17	- 9,30
(11) Промышленность (без черной металлургии, машиностроения, приборостроения и химической промышленности)	12,7	26,08	+ 3,08	34,69	+ 4,02
(12) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности и пищевой промышленности)	19,4	17,07	- 5,93	22,70	- 7,97
(13) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности и текстильной промышленности)	14,9	22,23	- 0,77	29,57	- 1,10
(14) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности и легкой промышленности)	9,4	35,24	+ 12,23	46,86	+ 16,19
(15) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности и легкой промышленности, кроме черной металлургии)	8,5	38,97	+ 15,97	51,83	+ 21,16
(16) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности, легкой промышленности и черной металлургии)	26,8	12,36	- 10,64	16,44	- 14,24
(17) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности, легкой промышленности, черной металлургии и черной металлургии)	21,2	15,62	- 7,38	20,78	- 1,40
(18) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности, легкой промышленности, черной металлургии, черной металлургии и черной металлургии)	14,4	24,00		30,67	
(19) Промышленность (без черной металлургии, машиностроения, приборостроения, химической промышленности, пищевой промышленности, текстильной промышленности, легкой промышленности, черной металлургии, черной металлургии, черной металлургии и черной металлургии)			38,70		11,12

/Key on following page/

Key:

- |                                                           |                                        |
|-----------------------------------------------------------|----------------------------------------|
| 1. Sectors                                                | 9. Petroleum refining                  |
| 2. Profitability (1976)                                   | 10. Gas                                |
| 3. With a standard of the charge for capital of 6 percent | 11. Ferrous metallurgy                 |
| 4. With a standard of the charge for capital of 8 percent | 12. Chemical and petrochemical         |
| 5. Proportion of the charge for capital in the profit     | 13. Machine building and metal-working |
| 6. Deviation from the average industrial standard         | 14. Timber and wood processing         |
| 7. Electric power engineering                             | 15. Construction materials             |
| 8. Petroleum production                                   | 16. Light                              |
|                                                           | 17. Food                               |
|                                                           | 18. Industry as a whole                |
|                                                           | 19. Range of variation                 |

\* Calculated from the data of the statistical yearbook "Narodnoye khozyaystvo SSSR za 60 let" /The USSR National Economy After 60 Years/, Moscow, 1977, p 638.

In order for all the enterprises and sectors to achieve some average indicators it is necessary to create for them approximately equal operating conditions. The use of a uniform rate of the charge for capital with a different efficiency of productive capital does not meet this requirement. In our opinion, the enhancement of the stimulating role of the charge for capital should be accomplished by the differentiation of its rates by sectors and subsectors of industry with their simultaneous increase or reduction where this is necessary.

The level of profitability, which is planned for the five-year plan, should serve as the basis for differentiation. This synthetic indicator reflects the peculiarities of the physical and age composition of the productive capital, the conditions of its operation and the efforts of the collectives on improving its use. The differentiation of the rates of the charge for capital with allowance for the planned profitability will make it possible to equalize the importance of the charge for capital for different sectors and will make it possible to reduce substantially the proportion of the net surplus of the profit. Cited in Table 3<sup>5</sup> are the possible rates of the charge for capital (according to the 1976 level of profitability), which provide an identical proportion for all sectors of the charge for capital in the profit in the amount of 40 percent and significantly reduce the proportion of the net surplus in the majority of sectors.

The proportion of the charge for capital in the profit depends not only on the size of the rate of this charge, but also on the proportion of the capital exempt from it. According to the data of V. K. Senchagov, now the total amount of the preferential capital is 20 percent of its amount, of it 5.6 percent is exempt in connection with the breaks on the charge for capital for enterprises which are run profitably, 9.9 percent for subsidized enterprises and 5.4 percent for enterprises with a profitability of less than 6 percent.<sup>6</sup> With allowance for the preferential capital the actual rate of the charge for capital in industry at present is less than 4 percent.<sup>7</sup> The



extremely extensive breaks make it possible to recover the losses from the underutilization of the means of production and relax the attention of the management of enterprises toward the problems of improving their use.

Table 3

Sectors	Standard of the charge for capital	Proportion of net surplus in the profit	
		Actual	With the proposed standard of the charge for capital
Electric power engineering	5	13.54	14.49
Petroleum production. . .	11	31.67	13.46
Petroleum refining. . . .	16	48.33	22.59
Gas . . . . .	15	43.33	19.25
Ferrous metallurgy. . . .	9	26.46	12.54
Chemical and petrochemical	14	40.42	17.49
Machine building and metalworking. . . . .	10	31.04	13.27
Timber and wood processing	7	19.58	14.81
Construction materials. .	6	17.71	17.71
Light . . . . .	19	55.83	28.19
Food. . . . .	15	44.17	19.79

The breaks on the charge for capital were introduced for the purpose of interesting enterprises in the improvement of the production equipment and creating when possible equal economic conditions of their operation. Therefore, the question of reducing these breaks, as well as the question of the rates of the charge for capital require a differentiated approach. In particular, in our economics literature one encounters the assumption that it is inexpedient to grant an exemption from the charge for the capital which was created by means of the assets of the production development fund.<sup>8</sup> It is possible to agree with this assumption, in our opinion, in far from all instances. Here it is necessary to take a number of things into account. First, the degree of centralization of the assets of the production development fund, the increase of which considerably reduces the possibility of spending these assets for the wrong purpose. Second, the nature of re-equipment and the level of its completeness under the given specific conditions, which determines the extent and duration of the decrease of the indicators of economic activity during the period of the placement into operation of recently introduced capital and capacities. Third, the level of profitability of the productive capital of the enterprise. When establishing breaks for associations and enterprises on the charge for capital, the ministries should see to it that their total amount does not increase. Here the economically justified reduction for some enterprises and associations should be combined with a slight increase for others.

In the opinion of R. A. Otsason, it is necessary to establish breaks for fixed capital which is operated longer than its standard service life.<sup>9</sup> It seems to us that such a measure would stimulate the temporary storing of old equipment and the retardation of its replacement with all the attendant negative consequences. The negative influence of the slow replacement of production equipment is now already quite strong. According to the data of the Experimental Scientific Research Institute of Metal-Cutting Machine Tools and the State Planning Institute of the Machine Tool Industry, in machine building alone the annual loss from the use of obsolete machine tools is about 200 million rubles.<sup>10</sup> On the average during the past 10 years the coefficient of the retirement of machinery and equipment in USSR industry was 2.9 percent, and it decreased from 4.3 percent in 1967 to 2.3 percent in 1976, while the average rate of increase of the park of equipment (by value) during the same period was equal to 11 percent. If these indicators are maintained, approximately 15 years will be required for the complete replacement of the initial machine park.<sup>11</sup>

According to the current standards of amortization the service life of machinery and equipment is now 12.2 years, that is, it is shorter by a factor of 1.21 than the period of the complete replacement of the park, while the period of the updating of the products of machine building, according to the data of V. A. Milyayev and V. K. Senchagov, is equal on the average to 6.2 years, or it is shorter than the period of the complete replacement of the park by a factor of 2.39.<sup>12</sup> From the cited data it is obvious that our main task consists not in slowing the retirement of old means of labor, but in expediting it. The proposal on halting the levying of a charge for capital which is operated after the expiration of its standard service life is in no way connected with the solution of this problem.

The increase of the effectiveness of the charge for capital requires the establishment of a dependence between the amount of this charge and the size of the incentive funds. The amount of the latter is determined by the level of the fund-forming indicators and the amounts of the standards of the profit withholding tax in accordance with these indicators. Until 1972 when crediting the economic stimulation funds the level of the accounting profitability, through which the charge for capital has its influence on the incentive funds, was used as one of the fund-forming indicators. Then the level of the overall profitability, which is not connected with the charge for capital, was approved by a decision of the Interdepartmental Commission attached to USSR Gosplan as the fund-forming indicator. As a result, the influence of the latter on the amount of the economic stimulation funds was weakened. As is shown in Table 4,<sup>13</sup> the changes in the proportion of the charge for capital and the deductions for the stimulation funds take place independent of each other.

However, the replacement of the fund-forming indicator of the accounting profitability by the indicator of the overall profitability also has an advantage: it makes it possible to increase the rate of the charge for capital. In the case of the previously existing procedure of crediting the economic stimulation funds according to the indicator of the accounting

profitability a significant increase of the rates of the charge for capital could have the result that at the enterprises, which overfulfill or increase the plan assignments on the level of the accounting profitability, the amounts of the additional deductions for the incentive funds could completely use up or even exceed the amount of the received additional profit. In the case of the use of the indicator of the overall profitability, which does not experience the influence of the charge for capital, the increase of its rates does not bring about the negative consequences which were pointed out.

Table 4  
(in percent)

Years	Proportion in the profit being distributed	
	Charge for capital	Deductions for economic stimulation funds
1972	19	16
1973	20	16
1974	20	16
1975	22	17
1976	23	16

Under the developed conditions the main way to solve the problem of strengthening the link of the charge for capital with the material interests of the production collectives, in our opinion, consists in interesting them in the maximum saving on this payment. In this connection the suggestion of P. G. Bunich about the need to introduce criteria which make it possible to detect the saving of assets for the charge for capital so as to leave it at the disposal of enterprises seems feasible.<sup>14</sup> His basically correct suggestion, in our opinion, should be refined: if the saving for the charge for capital is achieved with a simultaneous improvement of the indicators of the use of productive capital for the factors which depend on the efforts of the collective of the given enterprise, it should be left to the enterprise and used in a specific proportion for capital investments and the increase of the incentive funds; if the receipt of the saving for the charge for capital is accompanied by a worsening of the use of the capital through the fault of the enterprise, this saving should be transferred to the budget; an overexpenditure for the charge for capital with a simultaneous worsening of the use of the productive capital through the fault of the enterprise should be offset at the expense of the assets of the incentive funds, while an overexpenditure with a simultaneous improvement of its use owing to the efforts of the collective should be attributed to the reduction of the net surplus of the profit. The saving or overexpenditure for the charge for capital with both an improvement and a worsening of the use of the productive capital for reasons not dependent upon the enterprise should be attributed to the interrelations with the budget.

The proposed procedure will not only prompt enterprises to work with the minimum necessary amount of means of production, but will also redouble

their attention toward the indicators of the use of the operating production equipment. The latter is especially important, for under the conditions of the high rate of scientific and technical progress it is hardly legitimate to believe that enterprises should work with the minimum availability of productive capital and renounce the increase and improvement of their own production potential--the increase of the amounts of means of labor being used should match the improvement of their use.

The introduction of a charge for capital in itself cannot yet improve the operation of fixed capital. It is necessary for this economic measure to be backed by the use of a large number of other indicators and stimuli, which influence the effectiveness of the use of the means of labor. This presumes the implementation of a set of measures in the area of the improvement of planning, pricing and the procedure of distributing the profit, the elaboration of the conditions and systems of stimulating the collectives of enterprises and shops, brigades and individual workers, which would create an interest in the adoption and fulfillment of stepped-up plan assignments. The examination of all these questions requires an independent study and goes far beyond the framework of this article. However, the outlined ways of improving the mechanism of the charge for capital can become, as we assume, an important means for improving the system of cost accounting stimuli of the improvement of the use of the production potential which has been created in industry.

#### FOOTNOTES

1. See D. S. Molyakov, "Osnovnyye proizvodstvennyye fondy i rentabel'nost'" [Fixed Production Capital and Profitability], Moscow, Finansy, 1976, p 62; VOPROSY EKONOMIKI, No 10, 1975, p 156.
2. According to a decision of the Interdepartmental Commission attached to USSR Gosplan a 10-percent rate has been established for enterprises of the tobacco and tea industry, the rates in electric power engineering are differentiated: for electric power systems and GES's--4 percent; TETs's--3 percent; heating systems--2 percent; for other enterprises of electric power engineering--6 percent; in petroleum production there are separate rates of the charge for fixed capital--11 percent of the surplus value, and for working capital--6 percent.
3. P. G. Bunich, "Upravleniye, ekonomicheskiye ryuchagi, khozraschet" [Management, Economic Levers, Cost Accounting], Moscow, Nauka, 1976, p 183.
4. VOPROSY EKONOMIKI, No 9, 1977, p 49.
5. Calculated according to the data of the statistical yearbook "Narodnoye khozyaystvo SSSR za 60 let" [The USSR National Economy After 60 Years], Moscow, 1977, p 638.

6. VOPROSY EKONOMIKI, No 5, 1978, p 40.
7. R. Otsason, "Cost Accounting Stimuli of the Use of Fixed Capital," VOPROSY EKONOMIKI, No 9, 1977, p 50.
8. Ibid.
9. Ibid., p 51.
10. P. G. Ryl'kov, "Effektivnost' obnoveniya tekhniki" [The Effectiveness of Replacing Equipment], Moscow, Ekonomika, 1977, p 135.
11. When the average annual rate of increase is maintained at the level of 11 percent for  $n$  years the machinery park will increase during that time by  $1.11^n$  times. The actual retirement of equipment with respect to the initially existing park with a coefficient of retirement of 2.9 percent will be  $1.11^n \times 2.9$  percent. From the equation  $1.11^n \times 2.9$  percent = 100 percent we will find that the total replacement of the initial park will take place when  $n = 14.81$  years, or approximately every 15 years.
12. V. K. Senchagov, V. V. Ostapenko, V. A. Milyayev, "Amortizatsionnyy fond v usloviyakh intensivifikatsii proizvodstva" [The Amortization Fund Under the Conditions of the Intensification of Production], Moscow, Finansy, 1975, p 127.
13. "Narodnoye khozyaystvo SSSR za 60 let," an anniversary statistical yearbook, Moscow, Statistika, 1977, p 636.
14. P. G. Bunich, "Payments for Material, Financial and Natural Resources," EKONOMIKA I MATEMATICHESKIYE METODY, Vol XII, No 6, 1976.

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## ENFORCEMENT OF LONG-TERM SUPPLY CONTRACTS

Moscow KHOZYAYSTVO I PRAVO in Russian No 4, Apr 79 pp 14-20

[Article Deputy Chairman of USSR Gosnab A. Lebed': "Improve Economic Ties"]

[Text] In the decree of the November (1978) CC CPSU Plenum it is noted that under the conditions of the continuous growth of the scale and the increase of the qualitative level of the economy and the complication of intersectorial and intrasectorial ties the further improvement of the methods of management and administration and the tightening up of organization and coordination in the work in all sections of social production are assuming greater and greater importance. Speaking at the CC Plenum, Comrade L. I. Brezhnev paid particular attention to the need to place at the center of all the work on the new five-year plan the direction of attention toward the end results of production and the search for the most effective and economical ways of achieving them.

From this standpoint the questions of the further improvement of economic ties in the sphere of the supply and marketing of products are assuming particular importance. It should be mentioned that during the current five-year plan a number of major measures on the rationalization of economic ties and the tightening up of delivery discipline are being implemented in conformity with the directives of the 25th CPSU Congress. Among the tasks set by the congress is the completion during this five-year plan of the conversion to direct long-term ties of the enterprises with mass and large-series production, whose interrelations are based on long-term economic contracts. At present 25,000 production associations and enterprises are covered by the new progressive form of supply for some types of products. More than 40 percent of the ferrous metals, 70 percent of the cement, 65 percent of the lumber products, 54 percent of the chemical products, 76 percent of the bearings and many other types of products are supplied through direct long-term economic ties. In 1978 industrial products worth more than 40 billion rubles were supplied on the basis of these ties as against 36 billion rubles at the beginning of the 10th Five-Year Plan. In 1980 the volume of deliveries according to direct long-term economic ties will reach 44.6 billion rubles. Of course, this is not the limit, there are vast opportunities to increase the volume of deliveries through direct ties.

It is not only a matter of volumes, but also to no less an extent, if not to a greater extent, a matter of the quality and effectiveness of these ties. In what do we see the shortcoming in the current system of the planning and organization of long-term economic ties? First of all in the slight non-conformity between the periods, for which the balances and plans of the distribution are approved, and the periods, for which the long-term economic contracts should be concluded.

For the most important types of products, which in the first place are supplied according to direct long-term economic ties, the annual plans are drafted by USSR Gosplan. These plans at best are conveyed by the ministries to the departmental enterprises in December of the year prior to the year for which the plan is intended. Although the all-union main administrations of material and technical supply and marketing and the territorial organs of USSR Gossnab issue the plans of the assignment of products for delivery according to direct long-term economic ties, as a rule, for a five-year period with a breakdown by years, nevertheless the suppliers often refrain from coming to an agreement in due time with the consumers on the specific conditions of the deliveries--the quantity, the detailed assortment and the dates--until the receipt of the document which indicates what quantity of products the given consumer is to receive from the given supplier during the planning year. That is how the break is formed artificially in, it would seem, the firmly planned and organized chain of economic ties. What conclusion follows from this? Apparently, the general direction in the measures being drawn up on improving the planning of the national economy, which has as a goal to enhance the role of the five-year plan, should embrace not only production, but also the sphere of circulation.

The increase of the responsibility both of the organs of USSR Gossnab and of the industrial ministries and their industrial associations for the organization and functioning of economic ties is of great importance for improving the quality and efficiency and consolidating the stability of economic ties.

At present the criticism, which is often justified, has a one-sided direction--it is aimed at the all-union main administrations of material and technical supply and marketing and the territorial organs of material and technical supply, which are responsible for the planning and organization of intersectorial long-term economic ties. Some cases, where the organs of USSR Gossnab establish the plans of assignment for direct long-term economic ties without regard for the real possibilities of realizing them, have not yet been eliminated, the stability of economic relations are not always taken into account, in a number of instances the unfounded change of suppliers is allowed. Without denying the need to improve the work of the organs of USSR Gossnab on planning and organizing economic ties, it is impossible at the same time to regard as normal the situation in which the industrial ministries and their organs for the most part have the role of observers and critics, and not active participants in this important work. Indeed, if the allocation of funds for the most important types of products and the solution of the questions of the concentration and specialization of production, the supply and removal from production of some types of products

and the introduction of the latest achievements of science and technology are within the competence of the ministry, is there any guarantee that one long-term economic tie or another, which is being planned by the all-union main administrations of material and technical supply and marketing and the territorial organs, between the manufacturing enterprises and the consumers of the products will be effective and stable. Is it not for that reason that in practice there are instances when during the first or second year of the established long-term ties the ministry does not allocate the assets for the products which are the subject of these ties and the concluded long-term contract is up in the air.

It is well known that such factors as the stability of the production and consumption of products, the placement of new production capacities into operation, the rationality of shipments and other factors influence the durability of economic ties. It is possible and necessary to increase the efficiency, quality and stability of direct economic ties by intensifying the cooperation of the all-union main administrations of material and technical supply and marketing, the territorial organs of USSR Gosplan and the ministries in solving these questions. The signatures of responsible officials not only of the all-union main administrations of material and technical supply and marketing, the Gosplans of the union republics and the territorial administrations of material and technical supply, but also of the ministries and industrial associations should be on the plan of assignment to direct long-term economic ties. Such an approach to the drafting of the plans of assignment will enhance the responsibility of all the organs participating in the organization of these ties and will create the prerequisites for the active, continuous and effective operation of the contractual mechanism during the entire five-year period.

During the 10th Five-Year Plan USSR Gosplan jointly with the State Board of Arbitration and the ministries has taken energetic steps to introduce long-term economic contracts. The proportion of five-year contracts according to the plans of assignment for direct long-term economic ties on 1 January 1978 in the total volume of deliveries in accordance with these ties was 87.2 percent as against 13.6 percent during the Ninth Five-Year Plan. But here, too, we are still faced with a number of unsolved problems. There are sectors, the enterprises of which are displaying a clear underestimation of the importance of establishing contractual relations for a long-term period. This reproach can be applied to the supply enterprises which have been issued plans of assignment to direct long-term economic ties by Soyuzglav-elektro (a total of 44.3 percent of the five-year contracts), Soyuzglavles (48 percent) and Soyuzglavarmatura (33 percent). There is no doubt that the number of such contracts can be increased. The organizational, administrative and economic measures, which are being used in practice and oblige the parties on the basis of the appropriate planning acts to conclude long-term contracts, are sufficient for this.

The problem, figuratively speaking, of breathing life into these contracts and transforming them from a strictly formal document into a document which would become a working program of the activity of the partners is more

complicated. In practice this means the extension of the use of the economic contract as a tool of the planning of the assortment program of production, the increase of product quality, the introduction of means of packaging in hauling freight and the preparation of products for consumption in production.

This direction of the use of long-term economic contracts is incorporated in the Model Contract for the Delivery of Products According to Direct Long-Term Economic Ties, which was drawn up back in 1973 by USSR Gosplan and the USSR State Board of Arbitration with the participation of the ministries.<sup>1</sup> However, a number of the most important provisions of the model contract, which are aimed at the strengthening of the business cooperation of the parties on the assurance of the fulfillment of the plan of the production and deliveries of products, the organization of joint work to expand the variety of products and to deliver them in a form which has been made as ready as possible for consumption in production, are still not being taken advantage of by many enterprises. And here the legal services of the ministries can give the enterprises much assistance in increasing the quality and efficiency of contracts by drawing up the necessary methodological materials which reflect the specific nature of the sector.

The decree of the November (1978) CC CPSU Plenum stresses: "The duty of party, soviet and economic organizations is to eliminate in every possible way the nonproductive expenditures and losses, to achieve the careful consumption of metal, fuel, electric power, all material, financial and labor resources. It is important for the policy of economy as one of the main principles of socialist management to be consistently implemented in each sector, in each production collective and at each work place."

It seems that, on the basis of the indicated fundamental party demands, we should find and utilize the reserves of the economy of material resources and the increase of the efficiency of social production in the mechanism of the organization and functioning of economic ties and in the considerable increase of the role of the organs of USSR Gosplan in solving this most important problem.

Let us first of all look at this problem from the standpoint of the structure of economic and contractual ties in the sphere of material and technical supply. The fact that not every direct economic tie is economical and expedient has already become clear for many practical workers and scientists. But, unfortunately, the proper conclusions are not always drawn in practice from this assumption. This question has especially become urgent at present in connection with the introduction of the new system of evaluating the activity of enterprises depending on the fulfillment of contractual obligations and with the measures being implemented on the rational use of rail

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1. "Sbornik normativnykh aktov po material'no-tekhnicheskomu snabzheniyu" /A Collection of Enforceable Enactments on Material and Technical Supply/, Vol 2, p 130.



transport. It is impossible to ignore the fact that some managers of all-union main administrations of material and technical supply and marketing and territorial organs are displaying incomprehensible timidity in expanding the supply of consumers through enterprises for deliveries of the products of the USSR Gosplan system.

Scientific and technical progress, the appearance of new sectors and subsectors and the development of a large number of new materials, items, equipment and instruments expanded immeasurably the variety composition of the products being delivered. The balances and plans of distribution, which are drawn up by USSR Gosplan and USSR Gosplan, include about 15,000 descriptions of products in the group products list (assortment). But the number of type, grade and brand sizes of products, which are the subject of the economic contract, is estimated in the millions. It is expedient to examine the question of the rationality of certain economic ties or others on the basis of the interests of both the consumers and the manufacturers.

The diversity of the materials and items being used in production, which quantitatively is increasing significantly, is reducing the possibility of shipping them to consumers in large batches, especially for the sectors which do not use large-tonnage loads as raw material. The analysis of the data of the territorial organs of USSR Gosplan on the small batch demand showed that the largest number of its line items (up to 80 percent) falls to high quality articles (special brands of rolled ferrous and nonferrous metals and pipe, some items of armored cable and installation wire, paint and varnish products and so on). It does not have to be proven that in such a situation the shipment to the consumer, even if one standard carload of a special brand of rolled products is allocated to him for the entire year, of the entire quota at one time will give rise to above-standard stocks. To this it should be added that where earlier cars with a carrying capacity of 20-40 tons ran over the roads of the country, in the near future the rolling stock will be enlarged more and more with a fleet of cars with a carrying capacity of 120 tons.

From the point of view of the manufacturer of products the consumer with a small order causes much trouble. The aspiration of the manufacture to have a partner who orders a large batch of products is natural. Thus, the natural and objective process of increasing the volumes of product deliveries with the participation of intermediaries in the person of enterprises of material and technical supply takes place. This is attested by the fact that during 1967-1977 the share of the warehouse commodity turnover in the USSR Gosplan system in the total volume of product deliveries increased from 9 to 19 percent.

The Collegium of USSR Gosplan set the task of establishing, as a rule, as the minimum standard of the shipment of products from manufacturing enterprises a carload or containerload, and for such mass types of freight as commercial lumber 5-7 carloads. The national economic efficiency of such an important measure does not raise doubt. In order to ensure its introduction in practice USSR Gosplan with the participation of the ministries is doing much work on revising some types of the minimum standards of shipment,



which are established by the Main Conditions of Shipment. Accordingly the system of issuing schedule-orders for products is being amended, keeping in mind that the consumers, to whom products are allocated in nontransit form, will be supplied through the territorial organs of material and technical supply at their location. As a result of the measures being implemented and outlined the structure of economic contractual ties will become more precise.

The further improvement of economic ties on the basis of the establishment of a more rational structure of contractual relations, the enlargement of shipments and the transfer of consumers, who receive products in a quantity less than the carful (containerful) standard, to supply through the territorial organs of USSR Gosnab at the same time is increasing the degree of economy of their activity. Practice shows that in these cases the marketing costs are reduced, consequently the amounts of the markups paid by the consumers to supply and marketing organizations decrease.

We believe that, just as in the case of direct long-term economic ties between the manufactures and consumers of products, it is necessary to develop and improve on the same basis the long-term ties of the associations and enterprises of material and technical supply with the manufacturers of the products. During the 10th Five-Year Plan at many territorial organs of Gosnab the practice of their concluding long-term contracts with their partners has become no longer an experiment, but the system.

As confirmation I will cite a few figures. The territorial organs of USSR Gosnab have concluded with manufacturers more than 50 percent of the contracts for a period of five years; the volume of the deliveries according to progressive forms of contractual relations with consumers (contracts on the organization of material and technical supply and the orders of the consumers, which were accepted for filling) was 25.5 billion rubles, or 47.3 percent of the total amount of the contracts concluded with consumers. More than 58,000 contracts for the organization of the material and technical supply of enterprises have been concluded and 1 million orders according to standardized form 8, which was approved by USSR Gosnab, have been accepted by them.

USSR Gosnab ordered its territorial organs to accomplish in full by the end of the 10th Five-Year Plan the conversion of all enterprises of material and technical supply to the progressive forms of contractual relations.

One of the characteristic traits of the development of economic ties between the organs of material and technical supply and the consumers and of the contracts being concluded by them is the reflection in them of the new, progressive forms of supply and the increase of the volume, number and quality of the services being rendered. At the same time the tendencies to extend the economic methods of managing material and technical supply and to use the contractual mechanism for the purpose of saving material resources are noticeable.

The indicated traits and trends are vividly displayed in the development of comprehensive supply. The drafting and issuing of the Model Contract for the Organization of the Material and Technical Supply of the Production Association (Combine) and Enterprise, as well as the joint orders of USSR Gosnab and a number of ministries were important steps in introducing this progressive form everywhere.

An important element of comprehensive supply, which is incorporated in contracts, is the assurance of the smoothness, continuity and economy of the supply of enterprises with allowance for the technological cycle of production.

The system of "reserve stocking" by the territorial organs of consumers in case the supply enterprise delays the delivery of products to the consumer in accordance with the contract concluded between them, is being expanded. According to the estimates of the NIIMS, 28 percent (for ferrous metals 42.4 percent) of the total amount of the products not delivered through direct transit to the enterprises which are supplied comprehensively was made up for by the temporary borrowing by the enterprises of material resources from the bases of the territorial supply organs.

The administrations of material and technical supply of the Moscow, Moscow City, Volga-Vyatka, Central Chermozem, Southern Urals and other regions in the contracts being concluded provide for the delivery of products according to special coordinated schedules. At a number of territorial administrations the contracts call for the compilation of schedules of the making up of bills of lading of goods, in which it is indicated, for which of the consumers, on what dates and how many times a month the bills of lading of goods should be drawn up simultaneously for the entire products list.

The organization of comprehensive supply according to the Kiyev and Voronezh systems merits attention. The essence of these systems, particularly the Kiyev system, is that warehouse deliveries to consumers are made on the basis of the quarterly data on the specified demand for material resources and the monthly data on the balances of materials at the warehouses of the consumers, which are elaborated by the computer centers of the enterprises and submitted to the computer center of the territorial administration.

On the basis of these data the latter draws up schedules of the delivery of products at 15-day intervals, monitors their fulfillment and keeps an account of the movement of stocks. The organization of comprehensive supply with the use of automated control systems enables the enterprises to reduce the stocks.

The system of comprehensive supply, the legal form of which, as a rule, is the contracts concluded by the territorial organs for the organization of material and technical supply, consists in the expansion of the sphere of production services rendered to the consumers. Practice convincingly attests to the availability of enormous reserves for saving labor, equipment and

material resources, if the preparation of the products being supplied for consumption in production is organized on an extensive scale at each territorial administration of material and technical supply. At present many consuming enterprises are forced to maintain sections for these purposes and to utilize equipment extremely inefficiently with its quite negligible workload factor, a high cost of operations and great wastes of materials. The shops and sections for the preliminary processing of metal, cable, paper and other products, which are being set up at the territorial organs of USSR Gosnab, are making it possible to increase significantly the utilization ratio of materials in production and to decrease their wastes to one-half to one-third.

So far the volumes of production services being rendered to consumers by supply organs do not meet the increased requirements and the tasks set by the party and government of increasing the quality and efficiency of work. Suffice it to say that at the organizations of USSR Gosnab only 0.6 percent of the volume of the warehouse sale of rolled ferrous metals, about 7 percent of the cable products, 4 percent of the paper products and so forth undergo preliminary processing. USSR Gosnab is elaborating measures which call for the considerable expansion of these services in the next few years. But the industrial enterprises should give much practical assistance in their development. In particular, they are called upon to produce new types of equipment for the indicated purposes.

From the organization of the rental of instruments, equipment and other machinery it is possible to judge the great possibilities of the economical use of material resources and the enlargement in this connection of the spectrum of the economic and legal relations employed in the sphere of material and technical supply. Here the national economic efficiency is achieved by the multiple turnover of equipment and the reduction of the demand for it at enterprises and organizations. In 1978 instrument, equipment and other machinery rental services were rendered at 22 territorial organs. The rental pool of this equipment is valued at approximately 17 million rubles. Its structure is such that the majority--70 percent--falls to electric measuring instruments, 9 percent is made up of computer equipment. On 28 July 1978 USSR Gosnab and the USSR State Board of Arbitration approved the Model Contract on the Rental of Instruments, Equipment and Other Machinery, Which Is Carried Out by the Territorial Organs of the USSR Gosnab System, which was drafted by them with the participation of ministries and departments. The model contract regulates in detail the interrelations of the parties of the territorial organs and the clients on questions of the quantity, quality, period, procedure of issuing and returning rental items and the liability for their improper fulfillment of their obligations.

It is still too early to tally the results of the use of this model contract, but it is clear that it is necessary to continue the careful study of the legal relations in this area.

Expanding the idea of increasing the quality and efficiency of legal economic ties, I would also like to dwell on such a most important question as the maximum commitment to economic circulation of the above-standard, excess and unused assets.

Among the most important enforceable enactments subject to drafting in connection with the issuing of the USSR Law Code, the preparation of a draft of the decree of the USSR Council of Ministers, "On the Procedure of Selling Excess, Unused Physical Assets," which is called upon to replace the more than 100 enforceable enactments on this question now in effect, is called for.

The available data on the large stocks of commodity stocks and uninstalled equipment, which have accumulated at enterprises and construction projects, attest to how urgent the problem of the rational and assiduous use of material resources is becoming.

The responsibility in this matter of the organs of USSR Gossnab, which have been entrusted with the monitoring of the state of stocks at enterprises and organizations and with the work on committing the above-standard and unused physical assets to economic circulation, is great. By Decree No 55 of 2 November 1977 USSR Gossnab approved the Statute on the Procedure of Selling Above-Standard, Excess and Unused Raw Materials, Materials, Items, Equipment and Other Physical Assets. It provides for a number of measures, which are aimed at stepping up the activity of the ministries, departments and organs of USSR Gossnab on identifying and selling above-standard and unused physical assets. The rights of the territorial organs of USSR Gossnab on regulating the deliveries to consumers with allowance for the availability at them of above-standard stocks are clearly specified.

The work of the supply and marketing organizations on assisting enterprises in the sale of the excess material resources which they have and which cannot be committed to economic circulation in the planned manner should be carried out on a more extensive scale. New standardized forms of contractual documentation, which are connected with the sale of excesses, have begun to be used in practice. The task is to introduce them extensively in practical work.

The experience of the economic contractual ties being used, which has been gained in recent years, attests to the need to revise or specify the individual standards of the current Statute on Deliveries of Products for Industrial Engineering Purposes. The work on preparing the appropriate suggestion is being carried out by USSR Gossnab and the USSR State Board of Arbitration jointly with the ministries.

The active use of legal means for the purpose of further improving economic ties will promote the implementation of the decisions of the 25th CPSU Congress on improving the organization of the supply of the national economy and the increase of the efficiency of social production.

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## ECONOMIC GROWTH RATE IN LENINGRAD LAGS

Leningrad LENINGRADSKAYA PRAVDA in Russian 14 Jul 79 p 1

[LentASS News Service article: "Increase Production Efficiency"]

[Text] Implementing the resolutions of the 25th CPSU Congress, the decisions of CPSU Central Committee Plenums, and the instructions of CPSU Central Committee General Secretary Comrade L. I. Brezhnev, Chairman of the Presidium of the USSR Supreme Soviet, extensively engaging in socialist competition under the motto "From High Quality Work by Each Individual to High Labor Efficiency by the Work Force!" Leningrad industrial workers successfully accomplished the targets for the first half of the year. Above-target output sales amounted to 83 million rubles, approximately 300 new models of machinery, equipment and instruments were developed, and more than 450 items were awarded the state Seal of Quality. Technical retooling of production is actively in progress.

Results for the first half of the year and progress in accomplishing targets and socialist pledges were examined at a conference of secretaries of city and rayon party committees of Leningrad and the oblast, held at Smol'nyy. While the overall performance results of Leningrad and Leningradskaya Oblast industry are positive, it was noted at the conference that the production volume and labor productivity growth rate are lagging behind targets for the fourth year of the five-year plan. A number of rayons, including Sestroretskiy, Boksitogorskiy, Volkhovskiy, Volosovskiy, and Podporozhskiy, have failed to meet the sixth-month target in these indices. At some enterprises production volume growth targets are too easy, and the technical progress targets fail to provide a solution to the cardinal problems of increasing production efficiency; the funds allocated for these purposes are frequently scattered among measures of minor scope and importance. The conferees were briefed on recommendations of the presidium of the Economic and Social Development Council under the CPSU Oblast Committee, pertaining to adoption of a system of monitoring the performance of lagging elements and sections.

A target was assigned: to complete this year elaboration of the technical progress sections of combined economic and social development plans for the administrative rayons of Leningrad and the oblast for 1980 and the 11th Five-Year Plan. These plans should specify extensive adoption of scientific



and technological achievements, utilization of group industrial processes, automated production control systems, advanced shaping methods, powder metallurgy, plasma shaping, numerically controlled machine tools, and an increase in the scale of projects pertaining to production specialization, mechanization, and automation. On this basis there should be achieved a growth in output volume without increasing the work force.

It was emphasized at the conference that it is essential to enhance the role of CPSU city and rayon committees, as well as party organizations in analysis of the state of affairs in work forces, in mobilizing existing reserve potential for boosting labor productivity, increasing output, strengthening ideological and organizational support measures for accomplishing the main targets, with increased demandingness on supervisors and specialists as well as their responsibility for the assigned sectors, with immediate measures taken to correct shortcomings in organization of production and labor in order to achieve unconditional accomplishment of targets and socialist pledges for 1979 and the first four years of the five-year plan.

Leningradskaya Oblast CPSU Committee Secretaries R. S. Bobovikov and A. P. Dumachev, as well as Leningrad city party committee secretary V. I. Pimenov, took part in the conference proceedings.

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